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TAGS: [PREL](#) [MARR](#) [EAID](#) [AF](#) [PK](#) [CH](#)
SUBJECT: PAKISTAN PRIME MINISTER AZIZ'S VISIT TO CHINA
FOCUSED ON ECONOMICS AND TRADE

Classified By: Political Minister Counselor Daniel
Shields. Reasons 1.4 (b/d).

Summary

¶1. (C) Prime Minister Aziz's April 16-20 visit to China focused on promoting economic cooperation, stated MFA Asia Department Director for Pakistan, Afghanistan and Bangladesh Zhang Yiming. China and Pakistan signed several agreements that were "firsts" for China including the China-Pakistan Joint Investment Company and the construction of the Haier-Ruba Industrial Park. The two countries are willing to take "experimental risks" because of their "profound friendship based on mutual trust." Pakistan and China agreed to operationalize their Free Trade Agreement on July 1, 2007. The two countries also signed six agreements promoting cultural exchanges, including an MOU for China to establish an engineering and technology university in Pakistan. This will be the first time China has built an institute of higher education in a foreign country. PM Aziz and Premier Wen Jiabao discussed regional issues including Pakistan-India and Pakistan-Afghanistan relations. China, as neighboring country, is ready to help resolve tensions in these bilateral relations, Zhang said, noting that regional stability is in China's national interests. PM Aziz also visited Chengdu to open the new Pakistan Consulate. End Summary.

Visit Overview

¶2. (C) Prime Minister Aziz visited China April 16-20 at the invitation of Premier Wen Jiabao, stated MFA Asia Department Director for Afghanistan, Pakistan and Bangladesh Zhang Yiming during an April 23 meeting with Poloff. This was PM Aziz's second trip to China since assuming office. He also participated in the Boao Forum April 21 in Hainan. PM Aziz traveled with an entourage of 80 people, the largest group of Pakistani officials ever to visit China. The delegation included ten minister-level officials, senior financial advisors and 25 Pakistani entrepreneurs. PM Aziz met with President Hu Jintao, Premier Wen Jiabao, National People's Congress Chairman Wu Bangguo and, at PM Aziz's request, Vice Premier Wu Yi. Pakistan and China signed 13 agreements and MOU's while Chinese and Pakistani

enterprises signed 14 agreements.

Impressions of the Visit

13. (C) The major focus of the visit was to promote economic cooperation, stated Zhang. Noting that PM Aziz is an internationally recognized economist and finance expert, Zhang said that under PM Aziz's leadership, Pakistan's economy has improved greatly and is now attracting lots of foreign investment. During his visit, PM Aziz said that foreign direct investment to Pakistan has reached the highest level, six billion USD, in history. Pakistan now issues 30-year bonds in European markets, a signal that international confidence in Pakistan's economic stability has improved. During PM Aziz's visit, China and Pakistan signed several agreements that were "firsts" for China, such as the China-Pakistan Joint Investment Company and the construction of the Haier-Ruba Industrial Park, Zhang said, adding that China was willing to take these "experimental risks" because the two countries have a "profound friendship based on mutual trust." Zhang pointed out that China currently runs a huge trade surplus with Pakistan, exporting four billion dollars of goods and service to Pakistan annually and importing one billion. PM Aziz embraced this trade as good for Pakistan's economic development and announced a zero percent tariff on the importation of Chinese manufacturing machinery, stated Zhang. China is trying to reduce the trade deficit through a variety of means including the establishment of trade zones, the joint-investment company and a possible purchasing mission. Both countries agreed that the

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most effective way to expand the mutual benefits of the relationship is to expand investment in each other's economies, Zhang said.

Wen Jiabao meeting

14. (C) Talks between PM Aziz and Premier Wen focused on how to deepen economic cooperation and enhance cultural cooperation. Building on the successful conclusion of the 13th session of the Joint Trade, Scientific, Economic Cooperation meeting on April 9 in Beijing, Pakistan and China agreed to operationalize their Free Trade Agreement on July 1, 2007. China and Pakistan also signed implementation regulations for the Five-Year Development Program between the two countries. According to Zhang, based on the signing of these two agreements Beijing and Islamabad are confident of reaching a 15 billion USD trade target in the next five years. China is also considering sending a purchasing mission to Pakistan this year.

Progress in the Area of Finance

15. (C) During PM Aziz's visit, three major agreements were reached in the area of finance, stated Zhang. First, Beijing and Islamabad agreed to create and launch the China-Pakistan Joint Investment Company in July 2007. This is the first time China has participated in this type of financial cooperation. The joint investment company was PM Aziz's idea, stated Zhang. Pakistan currently has joint investment companies with Libya, Saudi Arabia, Kuwait, Brunei and Iran. China and Pakistan each contributed 100 million USD to start the joint investment company. The focus of the company is to help Chinese companies establish operations in Pakistan. Second, the Shanghai Stock Exchange and the Karachi Stock Exchanged signed cooperation agreements. Third, Pakistan invited

Chinese financial and banking institutions to establish operations in Pakistan.

Haier-Ruba Industrial Park

¶6. (C) PM Aziz and Premier Wen agreed to speed up the construction of the Haier-Ruba Industrial Park. The establishment of the park was agreed to during President Hu Jintao's November 2006 visit to Pakistan. This is the first Chinese-sponsored industrial park established abroad. The park will be managed under government guidelines and principles. The area of the park is only one square kilometer and will focus on electronic companies. Zhang pointed out that the park was "very experimental" and if successful could serve as a model for future parks. Pakistan has agreed to formulate preferential land and tax policies to attract Chinese enterprise investment in the park. China's Ministry of Commerce, in conjunction with the Pakistan Government, has direct oversight of the park's development.

Cultural Exchanges

¶7. (C) China and Pakistan signed six agreements promoting cultural exchanges during PM Aziz's visit. An MOU on China's establishing an engineering and technology university in Pakistan was signed. This is the first time China has established an institute of higher education in a foreign country, Zhang stated. Beijing and Islamabad also agreed to establish Pakistan Studies Centers at Beijing University and Sichuan University. The Chinese Communist Party School and the Foreign Affairs Institute have agreed to establish collaborative links with Pakistan's Defense University and Foreign Affairs Institute. China also agreed to provide training courses for 130 Pakistanis on economics, trade administration, investment and tourism. Pakistan agreed to establish an art, film and cultural academy in China. Finally China will build a friendship center and a Confucius Institute in Pakistan.

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Pakistan-India Relations

¶8. (C) PM Aziz described the latest developments between Pakistan and India, stated Zhang. Aziz met with India's PM Singh on the sidelines of the April 3 South Asian Association for Regional Cooperation meetings. Aziz told Premier Wen that after this meeting he felt that India's government and opposition parties are committed to supporting the resolution of outstanding issues, including Kashmir, between India and Pakistan. This will still take some time. Zhang said that China was satisfied with the positive momentum in India-Pakistan relations and appreciates Pakistan's willingness to resolve its disputes with India peacefully. China is willing to do more to help the two countries resolve their outstanding issues.

Pakistan-Afghanistan Relations

¶9. (C) PM Aziz stated that Pakistan is willing to improve its relations with Afghanistan, according to Zhang. The two countries still have two major hurdles to overcome. First Pakistan is home to three millions refugees from Afghanistan and is having difficulties repatriating them. Second, Afghanistan remains a major producer of drugs and Islamabad argues that this threatens the stability of the region. Pakistan will

work with Afghanistan to improve cooperation in these two areas, Zhang stated. China is in a position to help resolve the tensions between Pakistan and Afghanistan because it neighbors both of these countries. China wants to see a healthy normal relationship flourish between Pakistan and Afghanistan, Zhang said, adding that regional stability is a national security concern for China.

PM Aziz Visits Sichuan Province

¶10. (C) PM Aziz traveled to Chengdu in Sichuan to oversee the opening ceremonies for Pakistan's new Consulate. This is Pakistan's third consulate in China, after ones in Hong Kong and Shanghai. PM Aziz also visited Sichuan because it is the most populous and developed of China's 12 western provinces. Many Sichuan entrepreneurs have business ties to Pakistan. According to Zhang, China hopes that through the opening of the Pakistan Consulate in Chengdu, China's Western Development program will benefit. The new consulate is expected to promote contact between China's western provinces and Central Asian countries. As an afterthought, Zhang added that Chengdu is also the focus point of Pakistan-China military relations since it is home to the China-Pakistan JF-17 fighter plane production and training facility. Zhang did not provide any additional information in response to Poloff's questions about China-Pakistan military and security relations, other than noting that the two militaries have close ties.

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